

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508**

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**FOR IMMEDIATE RELEASE:
APRIL 30, 2002**

**02-48
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**USTR Releases Annual “Special 301” Report
on Global Intellectual Property Protection**

WASHINGTON - The Office of the U.S. Trade Representative today released its annual report (“Special 301” report) on the adequacy and effectiveness of intellectual property protection around the globe.

“U.S. creativity and ingenuity improves the lives of people all over the world. American innovators, like our scientists, artists and writers, rely on intellectual property protection to safeguard their inventions and creations. Strong IPR protection should also be a priority for other countries because it will help them attract investment and technology,” said U.S. Trade Representative Robert B. Zoellick. “This report reflects the Administration’s continued commitment to ensure effective intellectual property protection around the world. We will continue to work with Congress to identify our priorities in this area.”

Intellectual property protection standards and enforcement have improved in part as a result of implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). However, one of the key issues addressed in this year’s Special 301 report, as in the past two years, is the need for governments to take effective enforcement action against commercial piracy and counterfeiting.

The report highlights that Korea has made progress in enforcement. Unfortunately however, problems continue in the Ukraine, which remains designated as a Priority Foreign Country (PFC) for increased review. And the intellectual property rights situation in Brazil has worsened. Macau has been removed from the Special 301 lists altogether due to their ongoing enforcement efforts.

Another key focus of this year’s report is the problem of internet piracy and the importance of the World Intellectual Property Organization’s Internet treaties. As of May 20, 2002, both treaties will be in effect. Internet piracy relates to copyright and trademark violations that are aided and abetted by the Internet.

“These treaties represent the current state of international copyright law and provide a critical foundation needed to enable e-commerce to flourish. They also provide the tools necessary to fight piracy on the internet,” noted Zoellick. “We will continue to work internationally to promote ratification of these treaties by our trading partners.”

Attached is a summary of the report, which is available at www.ustr.gov

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Special 301 Report Summary

April 30, 2002

In this year's "Special 301" report, fifty-one trading partners are listed as countries or economies with which the U.S. is working to improve IP protection and enforcement. Ukraine continues to be listed as a Priority Foreign Country (PFC). PFC's are those pursuing the most onerous or egregious policies that have the greatest adverse impact on U.S. rightholders or products, and are subject to accelerated investigations and possible sanctions. This year's report lists 15 trading partners on the Priority Watch List (PWL), which indicates that a trading partner does not provide an adequate level of protection or enforcement of intellectual property rights or market access for persons relying on intellectual property protection. Thirty-three trading partners are placed on the Watch List (WL), meriting bilateral attention to address the underlying intellectual property rights problem.

In addition to the 49 described above, China and Paraguay are subject to another part of the statute, Section 306 monitoring, because of previous agreements reached with the United States to address specific problems raised in earlier reports.

Priority Watch List countries or economies include Argentina, Brazil, Colombia, the Dominican Republic, the EU, Egypt, Hungary, India, Indonesia, Israel, Lebanon, the Philippines, Russia, Taiwan, and Uruguay.

Watch List countries or economies include Armenia, Azerbaijan, the Bahamas, Belarus, Bolivia, Canada, Chile, Costa Rica, Greece, Guatemala, Italy, Jamaica, Kazakhstan, Korea, Kuwait, Latvia, Lithuania, Malaysia, New Zealand, Pakistan, Peru, Poland, Qatar, Romania, Saudi Arabia, the Slovak Republic, Tajikistan, Thailand, Turkey, Turkmenistan, Uzbekistan, Venezuela, and Vietnam.

Report Highlights:

Ukraine

Due to its persistent failure to take effective action against significant levels of optical media piracy and to implement laws that provide adequate and effective IP protection, Ukraine continues to be designated as a PFC. As a result, the \$75 million worth of sanctions imposed by the United States on Ukrainian products on January 23, 2002 will remain in place. This continued failure to protect adequately intellectual property rights seriously undermines Ukraine's efforts to attract trade and investment and could jeopardize Ukraine's efforts to join the World Trade Organization.

"We are very disappointed with Ukraine's lack of progress to ensure IP protection," stated Zoellick. "The U.S. Government continues to monitor the situation in Ukraine and will continue to take appropriate steps to strongly encourage the government to combat piracy and to enact the necessary intellectual property rights legislation and regulations."

Korea

As a result of its progress in strengthening its IPR regime Korea has moved from the Priority Watch List to the Watch List.

“We welcome the recent steps Korea has taken to strengthen its IPR enforcement, and its plans to develop legislation that will provide exclusive transmission rights for sound recordings and performances,” said Zoellick.

Macau

Thanks to Macau’s ongoing enforcement efforts, it has been removed from the Special 301 lists altogether.

“Macau has continued to strengthen its IPR regime this past year. We were most impressed that through the implementation of optical disk control regulations, Macau was able to reduce the number of optical media production lines from 50 in January 1999 to five in early 2002,” said Zoellick.

Bulgaria

Although Bulgaria is not listed in this year’s 301 report, based on recent reports of increased piracy in Bulgaria, the United States will be closely monitoring the situation and will look to the Government of Bulgaria to ensure the maintenance of the Optical Disk (OD) regulations.

“Bulgaria has been a model in its region for taking the necessary steps to tackle optical media piracy, but we are concerned by reports that it may weaken its optical media control regime,” Zoellick noted.

Other economies:

Unfortunately, serious enforcement problems remain in many economies including Brazil and Taiwan.

Brazil has yet to take any serious enforcement actions in the face of dramatically increasing rates of piracy. Losses suffered by the U.S. copyright industry in Brazil are the largest in the hemisphere, with industry estimates exceeding \$700 million in the past year. As a result, Brazil has been elevated to the Priority Watch List.

In addition, while Taiwan passed a number of new laws meant to strengthen the protection of intellectual property rights and bring the economy into compliance with its obligations under the TRIPS Agreement, the lax protection of IPR in Taiwan remains a serious problem. As a result, Taiwan remains on the Priority Watch List.

“Taiwan is one of the largest sources of pirated optical media products in the world. Enforcement needs to be improved and its copyright law needs strengthening in a number of additional areas to conform with international standards,” stated Zoellick.

Out of Cycle Reviews (OCR)

Additionally, there will be “out-of-cycle” reviews (OCR) scheduled for the Bahamas, Costa Rica, Indonesia, Israel, the Philippines, Poland, and Thailand. OCR’s reviews are conducted when certain countries or economies require further monitoring. While not listing Mexico, USTR will conduct an OCR later in the year to assess whether there has been an improvement in enforcement efforts in Mexico, specifically whether raids against intellectual property piracy operations have led to prosecutions and convictions.

USTR continues to monitor China and Paraguay under Section 306 of the Trade Act of 1974, as amended. USTR will be in a position to move directly to trade sanctions if there is slippage in either country’s enforcement of bilateral intellectual property rights agreements.

The Special 301 report is available at www.ustr.gov.

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